



This document is scheduled to be published in the Federal Register on 06/30/2014 and available online at <http://federalregister.gov/a/2014-15355>, and on [FDsys.gov](http://FDsys.gov)

## DEPARTMENT OF THE TREASURY

### Public Input on Development of Responsible Private Label Securities (PLS) Market

**AGENCY:** Office of the Undersecretary for Domestic Finance, Department of the Treasury.

**ACTION:** Notice and Request for Information.

**SUMMARY:** Consistent with the Obama Administration's commitment to openness and transparency and the President's Open Government Initiative, the Department of the Treasury (Treasury) is seeking public input on the private sector development of a well-functioning, responsible private label securities (PLS) market.

**DATES:** *Comment Due Date:* August 8, 2014.

**ADDRESSES:** Interested persons are invited to submit comments regarding this notice according to the instructions for "Electronic Submission of Comments" below. All submissions must refer to this document. Treasury encourages the early submission of comments.

#### *Electronic Submission of Comments.*

Interested persons must submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt, and enables Treasury to make them available to the public. Comments submitted electronically

through the <http://www.regulations.gov> web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

**Note:** To receive consideration as public comments, comments must be submitted through the method specified above.

*No Facsimile Comments.* Facsimile (FAX) comments will not be accepted.

*Public Inspection of Public Comments.* In general, all properly submitted comments will be available for inspection and downloading at <http://www.regulations.gov>.

*Additional Instructions.* Please note the number of the question to which you are responding at the top of each response. Though the responses will be screened for appropriateness, in general comments received, including attachments and other supporting materials, are part of the public record and are immediately available to the public. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

**FOR FURTHER INFORMATION CONTACT:** For general inquiries, submission process questions or any additional information, please call 202–622–2108. All responses to this Notice and Request for Information should be submitted via <http://www.regulations.gov> to ensure consideration.

**SUPPLEMENTARY INFORMATION:** Treasury is seeking public comment on the following questions:

1. What is the appropriate role for new issue PLS in the current and future housing finance system? What is the appropriate interaction between the guaranteed and non-guaranteed market segments? Are there particular segments of the mortgage market where PLS can or should be most active and competitive in providing a channel for funding mortgage credit?
  - *Comments could address: the role of the government in the mortgage market; access to mortgage credit; cost of mortgage finance; capital available for this type of investment; the source of loans for securitization; product and structure innovation; types of mortgage products; and borrower characteristics.*
2. What are the key obstacles to the growth of the PLS market? How would you address these obstacles? What are the existing market failures? What are necessary conditions for securitizers and investors to return at scale?
  - *Comments could address: structural, operational, economic, regulatory, loan level data, other disclosures, and legal challenges.*
  - *Challenges may include methods of investor protections; desire for standardization; secondary market liquidity and size; underwriting standards; origination volumes; servicing practices; credit ratings; and risks arising from borrower default.*

3. How should new issue PLS support safe and sound market practices?
  - *Comments could address: underwriting standards; transparency and disclosure requirements; borrower protections; alignment of interests; and regulatory oversight.*
4. What are the costs and benefits of various methods of investor protection? In particular, please address the costs and benefits of requiring the trustee to have a fiduciary duty to investors or requiring an independent collateral manager to oversee issuances.
  - *Comments could address: willingness of parties to accept a fiduciary duty; capital requirements and sufficiency; fiduciary duty as a means of addressing conflicts of interest; and alternative methods of investor protection.*
5. What is the appropriate or necessary role for private industry participants to address the factors cited in your answer to Question #2? What can private market participants undertake either as part of industry groups or independently?
  - *Comments could address: methods of achieving agreement around establishment of industry-wide standards; or development and adoption of a limited number of structural options from which securitizers can choose.*
6. What is the appropriate or necessary role for government in addressing the key factors cited in your answer to Question #2? What actions could government agencies take? Are there actions that require legislation?

- *Comments could address: suggested role in facilitating resolution of issues impeding the return of an active PLS market; actions that are required from government agencies; and actions that require legislation.*

7. What are the current pricing characteristics of PLS issuance (both on a standalone basis and relative to other mortgage finance channels)? How might the pricing characteristics change should key challenges be addressed? What is the current and potential demand from investors should key challenges be addressed?

- *Comments could address: amount and sources of demand for new issue PLS; cost of funding and capital; appropriate parties or processes to address the current pricing of PLS issuance; pricing in other mortgage financing channels.*

8. Why have we seen strong issuance and investor demand for other types of asset-backed securitizations (e.g., securitizations of commercial real estate, leveraged loans, and auto loans) but not residential mortgages? Do these or other asset classes offer insights that can help inform the development of market practices and standards in the new issue PLS market?

- *Comments could address: relevant terms, standards, and covenants; key differences in underlying assets; comparisons of structural features; documentation; alignment of interests; relative value, relative risks, and required returns; and examples of other asset classes' emergence and growth over time.*

9. Is there any additional information regarding the PLS market not already addressed that you would like to provide?

---

David G. Clunie  
Executive Secretary  
Department of the Treasury

[FR Doc. 2014-15355 Filed 06/27/2014 at 8:45 am; Publication Date: 06/30/2014]